

**QUEBEC URANIUM
MINING CORPORATION**

(No Personal Liability)

1970

**Annual Report
to
The Shareholders**

FOR THE FISCAL YEAR ENDED

DECEMBER 31, 1970

THE ANNUAL MEETING WILL BE HELD ON FRIDAY, APRIL 30th, 1971
AT 2:30 P.M., MONTREAL LOCAL TIME
IN THE OAK ROOM, WINDSOR HOTEL, MONTREAL, QUEBEC.

To the Shareholders of
QUEBEC URANIUM MINING CORPORATION

The Directors take pleasure in presenting the Annual Report of your company for the year ended December 31, 1970. Contained herein is the audited Balance Sheet, statement of Deferred Expenses and the Auditors' Report.

FINANCIAL

Additional financing was undertaken during the past year through the sale of 400,000 treasury shares to net your company \$180,000. The new funds were used to augment depleted working capital which developed as a consequence of the heavy exploration program maintained during the previous year. In 1970, Quebec Uranium expended a further \$105,233 on exploration, the bulk of which (\$102,822) was accounted for by aerial geophysical surveys. At the year end the company had working capital of \$80,568 which should be adequate to cover most of this year's anticipated follow-up program, which initially will consist of ground geological and geophysical surveys. However, if it becomes necessary to undertake wide spread diamond drilling, additional financing may be necessary.

EXPLORATION

During the period under review, your company maintained an active exploration program particularly in Northern Quebec. In this regard, while Quebec Uranium's original objectives were to search for radioactive minerals utilizing the most modern and sophisticated airborne gamma ray spectrometers available, changing patterns in demand for uranium caused your management to re-assess these objectives. After a careful review of the probabilities of finding a mineable deposit of uranium, as well as the ability to sell such a product in a shrinking, highly competitive market, it was decided to broaden the nature and scale of our exploration endeavours. Primarily it was deemed advisable, given the new circumstances, to include in the airborne package a magnetometer and an electromagnetometer. The latter piece of equipment is used principally in the search for base metals.

The substantially enlarged geophysical unit brought with it a certain discipline as to the type of flying to be undertaken, as well as areas to be flown. Bearing in mind the restrictions imposed by the equipment, your company's engineers, in conjunction with highly-qualified consultants, undertook a detailed study of several regions stretching from Manitoba to Newfoundland in an effort to locate the most promising areas for conducting such a program. The main considerations which were taken into account in the selection of ground to be flown were, favorable geological structures, response to the type of equipment being used, accessibility, and finally, availability of mineral rights. Manitoba and Newfoundland were rejected early in the study because mineral rights in these Provinces are available, for the most part, only through Government granted concessions. Several of the more favorable areas in Quebec and Ontario had to be discarded since much of the ground was already staked.

After careful evaluation it was decided to concentrate our efforts mainly in Northern Quebec. The main emphasis was placed on trying to locate the type of mineralization along the Grenville Front. On the whole, the company was pleased with the response obtained, having located several anomalies. Some of the anomalies could be readily explained as being attributable to local features such as faults or graphite-bearing horizons. Those, however, which appeared to be caused by metallic conductors were staked and will be examined in detail during the coming months. At this stage it is highly likely that diamond drilling will be the most suitable tool to use for probing the cause of the anomalies.

On balance we will look forward to a very active field season which your management sincerely believes has excellent possibilities of yielding an economic mineral deposit.

**AGREEMENT WITH
CONSOLIDATED SKEENA MINES LIMITED**

During the early stages of the flying program it became evident that the cost of carrying our plans to completion would probably be more than the company could bear alone. Consequently, efforts were made to seek partners to help share the costs and risks of the project. In this context an agreement was reached with Consolidated Skeena Mines Limited to participate to the extent of 10% for an equivalent amount of expenditures. As time progresses and if, in the opinion of management, the financial burden of evaluating all of the company's holdings becomes too heavy, other partners may be sought.

A summary of the past year's activity submitted by Mr. R.L. Alexander, Exploration Consultant, is presented below.

Enclosed is Notice of the Annual Meeting of Shareholders to be held at the Windsor Hotel, Montreal, Quebec, on the 30th day of April, 1971. Your Directors hope you will attend, but if you cannot attend in person, a Proxy form is enclosed with this report for your use.

Respectfully submitted on behalf of the Board of Directors.

Montreal 101, Quebec.
April 6th, 1971.

R.P. Mills,
President.

A SUMMARY OF EXPLORATION AND DEVELOPMENT FOR FISCAL YEAR OF 1970

The company conducted aerial geophysical surveys over fourteen preselected areas located in the Chibougamau district and the northwestern portion of Quebec. Approximately 8,500 flight line miles were flown to explore the base metal potential of these areas which totalled about 970 square miles. The results obtained were numerous anomalies, which warrant detailed investigation and from which good diamond drill targets are expected to be indicated.

The survey results are continuing to be assessed by our geophysical consultant and detailed ground investigation is expected to continue for several seasons. The surface exploration will utilize all information gathered by ground geological, geochemical and geophysical surveys to detail the priority rated anomalies.

Some 600 claims have been staked in several groups located in the Lake Mistassini area north of the town of Chibougamau, Quebec, some of which were staked after the year-end, and are therefore not included in the financial statements. The results of the surveys in the Mistassini Lake area are similar to those obtained over the Icon Sullevan Joint Venture and Troilus Mines areas and a detailed exploration program will be carried out this year over the more favorable conductors.

CONTINUED ON NEXT PAGE

Si vous désirez une copie française, veuillez vous adresser la Compagnie, à

621 OUEST, RUE CRAIG, SUITE 400, MONTRÉAL 101, QUÉBEC.

Claims held in Perodeau township, north of Mount Laurier, Quebec, will be dropped as prospecting and trenching results did not warrant further work.

An interest was maintained in claims located in Cumberland County, Nova Scotia, where drilling investigated celestite possibilities outlined by prospecting, geophysical and geochemical surveys.

Several properties and proposals were examined during the year.

Respectfully submitted,

Montreal 101, Quebec.
April 6th, 1971.

R.L. Alexander,
Exploration Consultant.

QUEBEC URANIUM MINING CORPORATION

(No Personal Liability)

(Incorporated under The Quebec Mining
Companies Act on December 13, 1966)

Statement I

BALANCE SHEET - DECEMBER 31, 1970

	1970	1969
ASSETS		
Current:		
Cash and short-term deposits	\$ 58,342	\$ 27,482
Accounts receivable	28,305	1,292
Prepaid expenses	443	1,500
	<u>87,090</u>	<u>30,274</u>
Fixed assets, at cost:		
Gamma ray spectrometer, inverters and accessories	21,120	20,422
Office furniture	215	215
	<u>21,335</u>	<u>20,637</u>
Less: Accumulated depreciation	10,074	7,259
	<u>11,261</u>	<u>13,378</u>
Mining claims held under prospector's licenses, exploration permit and mining licenses, (Note 1 and Schedule A)	172,175	165,771
Deferred expenditures, at cost:		
Development expenditures (Statement II)	137,166	36,913
General and administrative expenses (Statement III)	17,296	4,734
	<u>154,462</u>	<u>41,647</u>
Organization expenses	2,466	2,466
	<u>\$427,454</u>	<u>\$253,536</u>
LIABILITIES AND CAPITAL		
Accounts payable and accrued liabilities	\$ 6,522	\$ —
Capital stock:		
Authorized —		
4,000,000 shares at \$1.00 par value	\$4,000,000	
Issued (Note 2) —	Shares	Discount
Cash	1,450,009	\$ (920,000)
Mining claims	750,000	(600,000)
	<u>2,200,009</u>	<u>(\$ 1,520,000)</u>
Deduct: Assets written off (Statement IV)	(259,077)	(246,473)
	<u>420,932</u>	<u>253,536</u>
	<u>\$427,454</u>	<u>\$253,536</u>

SIGNED ON BEHALF OF THE BOARD: R.P. Mills, *Director*
H.J. Mockler, *Director*

AUDITORS' REPORT MARCH 12, 1971

To the Shareholders of
Quebec Uranium Mining Corporation (No Personal Liability):

We have examined the balance sheet of Quebec Uranium Mining Corporation (No Personal Liability) as at December 31, 1970, the related statements (Statements II to IV inclusive), and the statement of source and application of funds for the year then ended, and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the company, these financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31, 1970 and of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.
Chartered Accountants.

QUEBEC URANIUM

(No Pers

STATEMENT OF DEVELOPMENT DECEMBER 31, 1970

BY DEVELOPMENT EXPENDITURE ACCOUNTS

	Balance at December 31, 1969	Expenditures for the year ended December 31, 1970	Balance at December 31, 1970
Maps and plans	\$ 1,057	\$ 237	\$ 1,294
Supplies	1,304	—	1,304
Transportation	9,594	235	9,829
Engineering and geologists' fees and expenses	7,814	106	7,920
Insurance premiums	500	—	500
Telephone and telegraph	897	—	897
Joint Venture expenditures (25%)	6,726	—	6,726
Taxes, fees and licences	4,396	1,547	5,943
Unemployment Insurance and Quebec Pension Plan	290	—	290
Salaries and wages	19,305	—	19,305
Quebec Workmen's Compensation Commission	576	10	586
Assays	2,745	77	2,822
Diamond drilling	10,238	—	10,238
Commissary supplies	3,791	—	3,791
Rental of equipment	187	—	187
Rental of camp	1,011	—	1,011
Automobile expenses	576	35	611
Travelling expenses	467	—	467
Geophysical and geochemical surveys	4,347	150	4,497
Prospecting	225	—	225
Depreciation of fixed assets	7,259	2,815	10,074
Aerial surveys	155,355	102,822	258,177
Miscellaneous	84	14	98
	<u>238,744</u>	<u>108,048</u>	<u>346,792</u>
Less: Applicable to mining ventures abandoned (Statement IV)	201,831	7,795	209,626
Per balance sheet (Statement I)	<u>\$ 36,913</u>	<u>\$100,253</u>	<u>\$137,166</u>

NG CORPORATION

(ability)

MENT EXPENDITURES
1, 1970

BY AREAS

	Balance at December 31, 1969	Expenditures for the year ended December 31, 1970	Balance at December 31, 1970
ABANDONED:			
As at December 31, 1969	\$201,831	\$ —	\$201,831
Abandoned during the year-			
Township No. 1A, Elliot Lake area, Ontario	4,386	—	4,386
Unallocated-			
Depreciation of fixed assets	—	2,815	2,815
Other	—	594	594
	<u>4,386</u>	<u>3,409</u>	<u>7,795</u>
Per Statement IV	<u>\$206,217</u>	<u>\$ 3,409</u>	<u>\$209,626</u>
 CURRENT:			
Township of Leman, Montcalm County, P.Q.	\$ 9,919	\$ 300	\$ 10,219
Township of Cavendish, Eastern Ontario Mining Division	19,318	109	19,427
Perodeau, Decarie Township, P.Q.	—	1,340	1,340
General areas in Nova Scotia	543	45	588
General areas in New Brunswick	2,747	23	2,770
Unallocated — Aerial Survey	—	102,822	102,822
Abandoned during the year - as above	<u>4,386</u>	<u>(4,386)</u>	<u>—</u>
Per balance sheet (Statement I)	<u>\$ 36,913</u>	<u>\$100,253</u>	<u>\$137,166</u>

QUEBEC URANIUM MINING CORPORATION

(No Personal Liability)

STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES
DECEMBER 31, 1970

	Balance at December 31, 1969	Expenditures for the year ended December 31, 1970	Balance at December 31, 1970
Bank charges	\$ 24	\$ 6	\$ 30
Legal and audit	9,792	2,977	12,769
Miscellaneous	30	75	105
Office salaries	720	—	720
Stationery, office supplies and maps	840	449	1,289
Taxes, fees and licences	719	(29)	690
Travelling	1,686	30	1,716
Meeting expenses	616	466	1,082
Telephone, telegraph and postage	748	571	1,319
Unemployment Insurance and Quebec Pension Plan	20	—	20
Workmen's compensation	315	(107)	208
Advertising and shareholders' information	3,293	118	3,411
Insurance	350	25	375
Consulting fees	3,200	2,400	5,600
Listing and Stock Exchange fees	1,956	776	2,732
Securities registration fees and expenses	4,808	1,094	5,902
Office accommodation, secretarial and accounting services (Note 3)	10,200	6,000	16,200
Publicity and shareholders' information	4,005	1,455	5,460
Cost of share certificates	288	—	288
	<u>43,610</u>	<u>16,306</u>	<u>59,916</u>
Less:			
Interest revenue	12,859	3,176	16,035
Miscellaneous revenue	150	—	150
	<u>13,009</u>	<u>3,176</u>	<u>16,185</u>
	<u>30,601</u>	<u>13,130</u>	<u>43,731</u>
Less:			
Proportion applicable to abandoned mining ventures (Statement IV)	25,867	568	26,435
Per balance sheet (Statement I)	<u>\$ 4,734</u>	<u>\$12,562</u>	<u>\$17,296</u>

QUEBEC URANIUM MINING CORPORATION
(No Personal Liability)

STATEMENT OF ASSETS WRITTEN OFF FOR THE YEAR ENDED DECEMBER 31, 1970

	Balance at December 31, 1969	Written off during year	Balance at December 31, 1970
Arising from mining ventures abandoned:			
Mining claims	\$ 18,775	\$ 4,241	\$ 23,016
Development expenditures (Statement II)	201,831	7,795	209,626
General and administrative expenses (Statement III)	25,867	568	26,435
Per balance sheet (Statement I)	<u>\$246,473</u>	<u>\$12,604</u>	<u>\$259,077</u>

Statement V

STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED DECEMBER 31, 1970

	1970	1969
Source of funds:		
Issue of shares	\$180,000	\$ —
Application of funds:		
Fixed assets	698	989
Mining claims	10,645	8,001
Development expenditures (excluding depreciation — \$2,815; in 1969 \$3,344)	105,233	152,731
General and administrative expenses	13,130	12,149
	<u>129,706</u>	<u>173,870</u>
Increase (decrease) in working capital	50,294	(173,870)
Working capital, beginning of year	30,274	204,144
Working capital, end of year	<u>\$ 80,568</u>	<u>\$ 30,274</u>

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1970

Note 1:

The amount at which the mining rights are recorded does not, and does not purport to, represent their present or future value.

Note 2:

During the year ended December 31, 1970 the company issued 400,000 shares to Merrill Island Mining Corporation, Ltd. for \$180,000 cash.

Of the 750,000 shares issued for the acquisition of mining claims, 450,000 are held in escrow by Canada Permanent Trust Company, Montreal.

Note 3:

The company is a party to an agreement with a service corporation which provides office accommodation, secretarial and accounting services. Fees charged by this corporation during the year ended December 31, 1970 amounted to \$6,000. Two of the principal shareholders of the service corporation are the Vice-President and the Secretary-Treasurer of Quebec Uranium Mining Corporation.

MINING CLAIMS HELD UNDER PROSPECTOR'S LICENSES,
EXPLORATION PERMIT AND MINING LICENSES
DECEMBER 31, 1970

Schedule A

Area	Number of mining claims	Shares of capital stock issued therefor	Cost
Counties of Colchester and Cumberland, Nova Scotia	64	—	\$ 1,000 (1)
Township of Leman, Montcalm County, P.Q.	25	—	10,000 (1)
Township of Cavendish, Eastern Ontario Mining Division	21	750,000	150,530 (2)
Township of Bignell, Mistassini area, P.Q.	37	—	1,131 (1)
Township of McOuat, Mistassini area, P.Q.	32	—	1,009 (1)
Township of Guyon, Mistassini area, P.Q.	243	—	8,505 (1)
Per balance sheet (Statement I)			<u>\$172,175</u>

(1) Acquired for cash

(2) Includes cash disbursements amounting to \$530.

QUEBEC URANIUM MINING CORPORATION

(No Personal Liability)

OFFICERS:

MAURICE SAMSON, O.B.E., C.A.
Chairman

RANDOLPH P. MILLS
President

WILLIAM A. SMITH
Vice-President

I.C. MILLER
Secretary-Treasurer

DIRECTORS:

GILLES de BILLY, a.c.

Col. MAURICE FORGET

RANDOLPH P. MILLS

HUBERT J. MOCKLER

ALEXANDER D. MUTCH

MAURICE SAMSON, O.B.E., C.A.

WILLIAM A. SMITH

TRANSFER AGENTS AND REGISTRARS

CANADA PERMANENT TRUST COMPANY
600 DORCHESTER BLVD., WEST
MONTREAL 101, QUEBEC

BANKERS

CANADIAN IMPERIAL BANK OF COMMERCE
610 ST. JAMES ST. WEST
MONTREAL 101, QUEBEC

AUDITORS

PRICE WATERHOUSE & CO.

HEAD OFFICE

SUITE 400, 621 CRAIG ST. W., MONTREAL 101, QUE.